

AMENDED IN ASSEMBLY MAY 10, 2006

CALIFORNIA LEGISLATURE—2005–06 REGULAR SESSION

**ASSEMBLY BILL**

**No. 2547**

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**Introduced by Assembly Member Ridley-Thomas**  
**(Coauthor: Assembly Member DeVore)**

February 23, 2006

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An act to add ~~Section 24386 to~~ *and repeal Section 24386 of the Revenue and Taxation Code, relating to taxation, to take effect immediately, tax levy.*

LEGISLATIVE COUNSEL'S DIGEST

AB 2547, as amended, Ridley-Thomas. Corporation taxes: deductions: brownfields.

The Corporation Tax Law authorizes various deductions in computing income that is subject to tax under that law.

This bill would allow, *for each taxable year beginning on and after January 1, 2006, and before January 1, 2014*, a deduction in the amount of interest received by financial corporations from loans made for the purpose of redeveloping brownfields, as defined, that are located within blighted areas, as defined.

*This bill would also require the Legislative Analysts's Office to report to the Legislature regarding the use of the deduction and on the effectiveness of the deduction with respect to the numbers and locations of brownfields that are redeveloped.*

This bill would take effect immediately as a tax levy.

Vote: majority. Appropriation: no. Fiscal committee: yes.  
State-mandated local program: no.

*The people of the State of California do enact as follows:*

SECTION 1. Section 24386 is added to the Revenue and Taxation Code, to read:

24386. (a) ~~There~~ *For each taxable year beginning on and after January 1, 2006, and before January 1, 2014, there shall be allowed as a deduction the amount of net interest received by a financial corporation on loans made for purposes of redeveloping brownfields that are located in blighted areas.*

(b) No deduction shall be allowed under subdivision (a) unless each of the following requirements are met at the time the loan is made:

(1) The redevelopment occurs solely within the brownfields that are located in blighted areas.

(2) The indebtedness is incurred solely in connection with the redevelopment in the brownfield.

(3) The financial corporation has no equity or other ownership interest in the debtor, and the financial corporation and debtor are not members of a commonly controlled group, within the meaning of Section 25105.

(c) For purposes of this section, all of the following apply:

(1) "Brownfield" means a site as defined in Section 25395.79.2 of the Health and Safety Code.

(2) "Blighted area" means an area as defined in Section 33030 of the Health and Safety Code.

(3) "*Net interest*" means interest earned on the loan, less any direct costs incurred to make the loan, including, but not limited to, interest paid on amounts borrowed to make the loan and other direct costs incurred to fund the loan.

~~(3)~~

(4) "Redevelopment" means an activity as defined in Section 33020 of the Health and Safety Code.

(d) *The Franchise Tax Board may prescribe appropriate regulations necessary to carry out the purposes of this section.*

(e) *On or before July 1, 2013, the Legislative Analyst's Office shall report to the Legislature regarding the use of the deduction allowed under this section and on the effectiveness of this section with respect to the numbers and locations of brownfields that are redeveloped.*

- 1     (f) *This section shall remain in effect until December 1, 2014,*  
2     *and as of that date is repealed.*  
3     SEC. 2. This act provides for a tax levy within the meaning of  
4     Article IV of the Constitution and shall go into immediate effect.

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